

**STATE OF SOUTH CAROLINA
DEPARTMENT OF INSURANCE**

In the matter of:)	SCDI File Number 27040
)	
New Source Benefits, L.L.C.)	Default Order
)	Revoking License
P.O. Box 6305)	
Spartanburg, SC 29304)	
)	
_____)	

This matter comes before me pursuant to a letter of allegation and notice of opportunity for public hearing served, as required by S.C. Code Ann. § 38-3-170, by the South Carolina Department of Insurance upon New Source Benefits, L.L.C., both by certified mail, return receipt requested, and by regular mail, on December 30, 2005.

That letter informed the president of New Source, Jack Hawkins, of New Source's right to request a public hearing upon the allegations of impropriety contained in the letter. The letter further warned that failure to request a public hearing or to consent to the revocation within thirty days would constitute a waiver of the right to a hearing. Although Mr. Hawkins responded to the letter and attempted to surrender New Source's license, New Source refused to sign a consent order agreeing to the revocation or to request a hearing. Accordingly, on February 9, 2006, counsel for the Department signed and an affidavit of default and submitted this matter to me for my summary decision based solely on the record.

The Department's letter alleged that the Department had obtained evidence in 2005 concerning the activities of New Source Benefits, L.L.C. The Department's subsequent investigation revealed, and I find as fact, that New Source failed to remit

premiums to Fairmont Specialty Insurance Company; misappropriated those premiums by paying them to other companies and individuals, including to an insurance agency closely affiliated with New Source and whose principal, William M. Worthy, II, was unlicensed because his license has been suspended by the Department; and breached its contract with Fairmont. These actions are violations of Section 38-43-130 of the South Carolina Code. The penalties for violation of that section include revocation of an agency's license.

Section 38-43-130 of the South Carolina Code provides:

(A) The director or his designee may place on probation, revoke, or suspend a producer's license after ten days' notice or refuse to reissue a license when it appears that a producer has been convicted of a crime involving moral turpitude, or has violated this title or any regulation promulgated by the department, or has willfully deceived or dealt unjustly with the citizens of this State.

. . . .

(C) The words "deceived or dealt unjustly with the citizens of this State" include, but are not limited to, action or inaction by the producer as follows:

. . . .

(4) improperly withholding, misappropriating, or converting any monies or properties received in the course of doing insurance business;

. . . .

(8) using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this State or elsewhere

After a thorough review of the matter, pursuant to my findings of fact and conclusions of law, I hereby conclude that New Source has violated the law, and I order that its license be revoked.

Nothing contained in this administrative disciplinary order should be construed to limit, or to deprive any person of, any private right of action under the law. Nothing contained within this administrative disciplinary order should be construed to limit, in any manner, the criminal jurisdiction of any law enforcement or judicial officer. Nothing contained within this administrative disciplinary order should be construed to limit the statutory duty, pursuant to S.C. Code Ann. § 38-3-110, of the Director of Insurance, exercised either directly or through the Department, to “report to the Attorney General or other appropriate law enforcement officials criminal violations of the laws relative to the business of insurance or the provisions of this title which he considers necessary to report.”

I therefore order that the producer’s license of New Source Benefits, L.L.C. is hereby revoked. New Source has already remitted its license to the Department.

I further order that a copy of this order shall be immediately transmitted to the National Association of Insurance Commissioners for distribution to its member states.

It is so ordered.



Eleanor Kitzman
Director of Insurance

Columbia, South Carolina

February 9, 2006

**STATE OF SOUTH CAROLINA
DEPARTMENT OF INSURANCE**

In the matter of:

SCDI File Number 27040

New Source Benefits, L.L.C.

Affidavit of Default

P.O. Box 6305

Spartanburg, SC 29304


Personally appeared before me the undersigned, who, being duly sworn, states that at all times relevant to this affidavit he was the attorney representing the Department of Insurance in this administrative action. He further states:

The Department served notice on New Source Benefits, L.L.C., at the address above on December 30, 2005 that the Department would request that the Director of Insurance revoke New Source's license as a resident insurance producer unless New Source requested a hearing by the South Carolina Administrative Law Court or signed a consent order surrendering the license. The notice informed New Source of its opportunity to request a public hearing, and the consequences of failing to do so within thirty days.

On January 9, 2006, the president of New Source, Jack Hawkins, sent a letter to me asking me to "forward the appropriate form to surrender the agency's license without a hearing." On January 11, 2006, I sent Mr. Hawkins a consent order for his execution. On January 18, Mr. Hawkins sent me a letter enclosing New Source's license, but failing to enclose the consent order and implying that he would not sign it. On January 23, 2006, I responded to Mr. Hawkins by letter, telling him that the Department would not accept


the license without a consent order, and informing him that should he not execute the consent order or request a hearing, the Department would revoke New Source's license. All letters are attached as exhibits to this affidavit.

New Source has neither executed the consent order nor requested a public hearing. The time for requesting such hearing has expired and New Source is in default.

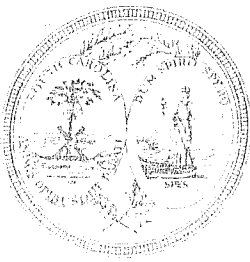


Jeffrey A. Jacobs
SC Bar # 15040
Chief Legal Counsel
S C Department of Insurance
P.O. Box 100105
Columbia, SC 29202-3105
(803) 737-6132

Sworn to and subscribed before me
this ninth day of February, 2006



Steven Dubois
Notary Public for the State of South Carolina
My Commission Expires May 10, 2009



South Carolina Department of Insurance

Division of Consumer, Licensing and Legal Services
Office of General Counsel
300 Arbor Lake Drive, Suite 1200
Columbia, South Carolina 29223

Mailing Address:
P.O. Box 100105, Columbia, S.C. 29202-3105
Telephone: (803) 737-6200

MARK SANFORD
Governor

ELEANOR KITZMAN
Director of Insurance

December 30, 2005

VIA REGULAR AND CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Jack H. Hawkins
President
New Source Benefits, L.L.C.
333 South Pine Street
Spartanburg, SC 29302

RE: Alleged Violations of South Carolina Insurance Laws
SCDOI File Number 127040

Dear Mr. Hawkins:

The South Carolina Department of Insurance has obtained evidence that your company, in its capacity as an insurance agency licensed to transact the business of insurance in South Carolina, has withheld, misappropriated, and/or converted monies received in the course of doing insurance business and has used fraudulent or dishonest practices and demonstrated incompetence, untrustworthiness, and financial irresponsibility in the conduct of the business of insurance. Specifically, your company failed to remit to Fairmont Premier Insurance Company premiums received; misappropriated those premiums by paying them to other companies and individuals, to include to an unlicensed insurance agency; and breached its contract with Fairmont.

This conduct is a direct violation of Section 38-43-130 of the South Carolina Code, which prohibits, among other things, "improperly withholding, misappropriating, or converting any monies or properties received in the course of doing insurance business" and "using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this State or elsewhere."

The director intends to revoke your agency's license pursuant to Section 38-43-130(A) of the South Carolina Code.

Under the law in South Carolina, you are entitled to notice and an opportunity to be heard before the director may take any administrative action. Accordingly, you have

the right to request a hearing on this matter before the South Carolina Administrative Law Court. If you desire and request such a hearing, you have the right to be represented by an attorney, should you choose to retain one. If you wish to request a hearing, you must mail a copy of your request to the Clerk of the South Carolina Administrative Law Court, together with a filing fee of \$100. The court's address is:

Clerk
South Carolina Administrative Law Court
Edgar Brown Building
1205 Pendleton St., Suite 224
Columbia, South Carolina 29201

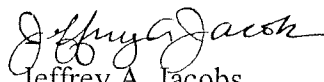
Do not request a hearing to or send the filing fee to this department, but please copy us on your request to the court.

If you do not make a request to the Administrative Law Court for a hearing within thirty days of the date of this letter, you will waive your right to be heard on this matter. The Director of Insurance will then assume that the allegations in this letter are true and will proceed to revoke your agency's license without a hearing. The Department will file any decree issued as a public record.

You have the option to consent to the above penalty and surrender your agency's license without a hearing. Should you desire to do so, please contact me within the next two weeks, and I will forward an appropriate consent order to you for your signature.

Thank you for your attention to this matter.

Sincerely,


Jeffrey A. Jacobs
Chief Legal Counsel



January 9, 2006

Mr. Jeffrey A. Jacobs
Chief Legal Counsel
SC Department of Insurance
P. O. Box 100105
Columbia, SC 29202-3105

RE: SCDOI File Number 127040

Dear Mr. Jacobs:

I am in receipt of your letter dated December 30, 2005. Please forward to my attention the appropriate form to surrender the agency's license without a hearing.

Thank you,

A handwritten signature in dark ink, appearing to read 'Jack H. Hawkins', with a stylized flourish at the end.

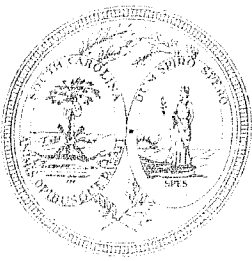
Jack H. Hawkins

{SCDOI010906}

RECEIVED
GENERAL COUNSEL

JAN 11 2006

STATE OF SOUTH CAROLINA
DEPARTMENT OF INSURANCE



South Carolina Department of Insurance

Division of Consumer, Licensing and Legal Services
Office of General Counsel
300 Arbor Lake Drive, Suite 1200
Columbia, South Carolina 29223

Mailing Address:
P.O. Box 100105, Columbia, S.C. 29202-3105
Telephone: (803) 737-6200

MARK SANFORD
Governor

ELEANOR KITZMAN
Director of Insurance

January 11, 2006

Mr. Jack H. Hawkins
President
New Source Benefits, L.L.C.
333 South Pine Street
Spartanburg, SC 29302


RE: Alleged Violations of South Carolina Insurance Laws
SCDOI File Number 127040

Dear Mr. Hawkins:

In response to your letter of January 9, in which you agreed to surrender the producer's license of New Source Benefits, L.L.C., I have enclosed a consent order for your signature. Please execute it and return it to me within ten days from receipt of this letter. I will have Director Kitzman sign it, and will return an executed copy to you.

Please call me should you have any questions.

Sincerely,


Jeffrey A. Jacobs
Chief Legal Counsel

Enclosure

Consent Order Revoking License

• • • •

(C) The words “deceived or dealt unjustly with the citizens of this State” include, but are not limited to, action or inaction by the producer as follows:

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(4) improperly withholding, misappropriating, or converting any monies or properties received in the course of doing insurance business;

....

(8) using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this State or elsewhere

Rather than contest this matter, New Source has consented to the revocation of its license. After a thorough review of the matter, pursuant to my findings of fact and conclusions of law, I hereby accept New Source’s offer to surrender its license, and I order the license revoked.

By the signature of one of its officers or authorized representatives upon this consent order, New Source Benefits, L.L.C. acknowledges that it understands that this administrative disciplinary order is a public record subject to the disclosure requirements of the Freedom of Information Act, S.C. Code Ann. § 30-4-10 through –660.

Nothing contained in this administrative disciplinary order should be construed to limit, or to deprive any person of, any private right of action under the law. Nothing contained within this administrative disciplinary order should be construed to limit, in any manner, the criminal jurisdiction of any law enforcement or judicial officer. Nothing contained within this administrative disciplinary order should be construed to limit the statutory duty, pursuant to S.C. Code Ann. § 38-3-110, of the Director of Insurance, exercised either directly or through the Department, to “report to the Attorney General or

other appropriate law enforcement officials criminal violations of the laws relative to the business of insurance or the provisions of this title which he considers necessary to report.”

I therefore order that the producer’s license of New Source Benefits, L.L.C. is hereby revoked. New Source shall, within fifteen days of my date and my signature upon this consent order, remit its license to the Department.

I further order that a copy of this consent order shall be immediately transmitted to the National Association of Insurance Commissioners for distribution to its member states.

It is so ordered.

Eleanor Kitman
Director of Insurance

Columbia, South Carolina

_____, 2006

I CONSENT:

Jack H. Hawkins
President
New Source Benefits, L.L.C.
P.O. Box 5305
Spartanburg, SC 29304

_____, 2006

In the matter of:) SCDI File Number 27040
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New Source Benefits, L.L.C.) Affidavit of Default
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P.O. Box 6305)
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Spartanburg, SC 29304)
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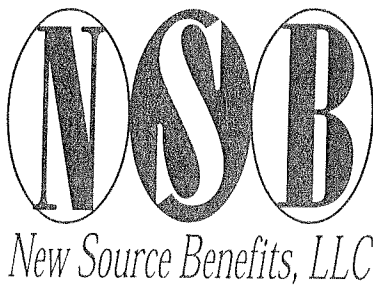
the license without a consent order, and informing him that should he not execute the consent order or request a hearing, the Department would revoke New Source's license. All letters are attached as exhibits to this affidavit.

New Source has neither executed the consent order nor requested a public hearing. The time for requesting such hearing has expired and New Source is in default.

Jeffrey A. Jacobs
SC Bar # 15040
Chief Legal Counsel
S C Department of Insurance
P.O. Box 100105
Columbia, SC 29202-3105
(803) 737-6132

Sworn to and subscribed before me
this ninth day of February, 2006

Steven Dubois
Notary Public for the State of South Carolina
My Commission Expires _____



January 18, 2006

RECEIVED
GENERAL COUNSEL

JAN 23 2006

Mr. Jeffrey A. Jacobs
Chief Legal Counsel
SC Department of Insurance
P. O. Box 100105
Columbia, SC 29202-3105

STATE OF SOUTH CAROLINA
DEPARTMENT OF INSURANCE

RE: SCDOI File Number 127040

Dear Mr. Jacobs:

New Source Benefits, LLC entered into an agreement with Fairmont Specialty Group for which New Source Benefits, LLC served only as a Third Party Administrator (TPA), not as an insurance agency. That agreement has since been terminated in an amicable manner suitable to both Fairmont Specialty Group and New Source Benefits as the TPA.

New Source Benefits, LLC has no business in the State of South Carolina nor does it intend to ever have (neither as an Agency nor as a TPA). There is no liability to any customer group in South Carolina. Since its only activity has been as a TPA (not as an agency) in states other than South Carolina and no future business is planned in South Carolina, we wish to surrender the Agency License previously issued by the State. Please find the original license enclosed.

Thank you for your assistance in this matter.

Sincerely,

Jack H. Hawkins
Managing Member
New Source Benefits, LLC

{SCDOI011806}

South Carolina
Department of Insurance

*** Agency License ***

Agency Code: 165247

Date Licensed: 03/18/2005

Organization Type: LLC

Amended: 09/22/2005

Agency Name: NEW SOURCE BENEFITS, LLC

This certificate attests that the above named insurance agency is duly licensed and authorized to transact the business of an insurance agent pursuant to S.C. Code Ann. Section 38-43-30 (1976, as amended).

Permanent License -- Subject to biennial fees, cancellation, suspension, or revocation per statutes.

By order of
the Director of Insurance
this 22nd day of September,
2005.

NEW SOURCE BENEFITS, LLC
333 SOUTH PINE STREET
SPARTANBURG, SC 29302 USA



South Carolina
Department of Insurance

Division of Consumer, Licensing and Legal Services
Office of General Counsel
300 Arbor Lake Drive, Suite 1200
Columbia, South Carolina 29223

MARK SANFORD
Governor

ELEANOR KITZMAN
Director of Insurance

Mailing Address:
P.O. Box 100105, Columbia, S.C. 29202-3105
Telephone: (803) 737-6200

January 23, 2006

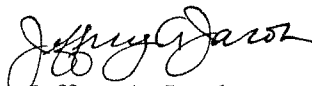
Mr. Jack H. Hawkins
President
New Source Benefits, L.L.C.
333 South Pine Street
Spartanburg, SC 29302

RE: Alleged Violations of South Carolina Insurance Laws
SCDOI File Number 127040

Dear Mr. Hawkins:

The Department will not accept the voluntary surrender of New Source's license without execution of a consent order. Should you fail to execute the consent order I sent to you on January 9 or to request a hearing per my letter of December 30, we will proceed to revoke the license.

Sincerely,


Jeffrey A. Jacobs
Chief Legal Counsel